

Sample Mortgage Comparison

Sample Loan Amount \$200,000 - 30 Year Term - Interest Rates For Example Purposes Only.

	Traditional Fixed Rate Mortgage (7%)	5 Year Interest-Only ARM (2-2-6) (initial rate 7%; maximum rate 13%)	Payment Option ARM
YEARS 1-5	\$1,331	\$1,167	Macatawa Bank has chosen NOT to offer this product due to the high potential for negative amortization as seen below.
YEAR 6 If rate remains at 7.00%	\$1,331	\$1,414	
YEAR 6 If rate increases to 9.00%	\$1,331	\$1,678	
YEAR 8 If rate reaches maximum of 13.00%	\$1,331	\$2,238	
EFFECT ON LOAN BALANCE AND HOME EQUITY			
After 5 Years, How Much Will You Owe?	\$188,263	\$200,000	\$221,486
After 5 Years, How Much Home Equity Have your Loan Payments Built?	\$11,737	\$0.00	NEGATIVE \$21,486

The financing and mortgage payment information herein provided by Macatawa Bank is for illustration and comparison purposes only and does not include any associated fees or charges. Interest rates shown may differ from actual rate available at any given time and are subject to change at any time without notice. Payments, rates, and programs are subject to applicant's credit and income qualifications. Payments do not include taxes or insurance. Please consult a Macatawa Bank Retail Lender for more information.
Sample Rates as of 6/18/07

Important Facts About Interest-Only Mortgages

Whether you are buying a house or refinancing your mortgage, this information can help you decide if an interest-only mortgage is right for you. These mortgages are not for everyone. If you do not understand how they work, you should not sign any loan contracts, and you might want to consider other types of loans.

Interest-Only Mortgages allow you to pay only the interest on the money you borrowed for the first few years of the mortgage (the "interest-only period").

If you pay only the amount due, then at the end of the interest-only period:

You will still owe the original amount you borrowed.

Your monthly payment will increase because you must pay back the principal as well as interest. Your payment could increase even more if you have an adjustable rate mortgage ("ARM") and interest rates increase.

Additional Information

Payment Option Mortgages – This is another type of interest only mortgage which Macatawa Bank has chosen not to offer due to the high potential for negative amortization.

The Equity in your Home – If you make interest-only payments, your payments are not building home equity. And, if you make only the minimum payment on a payment option mortgage, you may be losing home equity. This may make it harder to refinance your mortgage or to obtain funds from selling or refinancing your home.

Prepayment Penalties – Some mortgages require you to pay a lump-sum prepayment penalty if you sell your home or refinance during the first few years of the loan. You should find out if your mortgage has a prepayment penalty, how it works, and how much it could be.

No Doc/Low Doc Loans – "Reduced documentation" or "stated income" loans usually have higher interest rates or other costs compared to "full documentation" loans that require you to verify your income and assets.

